



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

CAPE CORAL CHARTER SCHOOL AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Cape Coral, FL 33914

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Christa McAuliffe
Elementary School
2817 SW 3rd Lane
Cape Coral, FL 33991
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3415 Oasis Blvd.
Cape Coral, FL 33914
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September 4, 2013

Honorable Chairperson and Members of the
Charter School Authority Board
City of Cape Coral, Florida

Dear Chairperson and Members of the Charter School Authority Board:

We are pleased to present to you the Financial Statements and Independent Auditors' Report of the Cape Coral Charter School Authority (Authority), Cape Coral, Florida for the fiscal year ended June 30, 2013. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and the results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the financial activities have been included.

Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that sufficient, reliable, adequate accounting data is compiled for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the Authority's internal controls adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

In addition, the Authority maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the Authority and approved by the Cape Coral City Council.

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unqualified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

www.CapeCharterSchools.org



PROFILE OF THE CHARTER SCHOOL AUTHORITY

In 2004, the Cape Coral City Council adopted ordinance 41-04 establishing Chapter 26 of the City of Cape Coral Code of Ordinances entitled "Cape Coral Charter School Authority."

The powers of the Authority are exercised through a governing board. The members of the Board are as follows: a City Councilmember, a member from the business community, a member from the education community, and three (3) members from the community at large shall be appointed by the City Council. The Charter School Administrator shall serve as an "ex officio member" of the Board for so long as he/she holds the respective position without need for further vote of the City Council or the Board. Parent members from each school shall be chosen by and from parent organizations. The positions on the Board for parents from each charter school shall be considered to be "ex officio" positions. The Charter School Administrator and the parent level members shall have the right to participate in all decisions of the Board, but shall not have the right to vote on any matter.

According to the 2010 census data, 17.1% of Cape Coral's population was school-age children: The statistics from the 2010 census reflect an increase in the Cape's overall population of 51.87% from the prior decade. During the previous decade, the Cape's explosive population growth impacted the ability of the Lee County School District to provide a sufficient number of seats for the District's West Zone, which includes all of Cape Coral, Pine Island and parts of North Fort Myers and Fort Myers. The City of Cape Coral developed the Cape Coral Charter School Authority to provide for a municipal charter school system comprised of one elementary school which opened in August 2005; one elementary and one middle school which opened August 2006; and one high school which opened August 2007.

Since the initial years of operation, enrollment has increased to capacity at both elementary schools and the middle school facility. In the 2007-2008 school year, a freshman academy for ninth grade focusing on the Cambridge University accredited curriculum was established and housed at Oasis Middle School. In the 2008-2009 school year, both ninth and tenth grades were housed at Oasis Middle. On December 2, 2008, the Charter School Governing Board approved the design and construction of Oasis High School which was built adjacent to the existing Oasis campus and opened in early August 2009. Oasis High was occupied by grades 8 through 11 for the 2009-2010 school year and grades 8 through 12 for the 2010-2011 school year. The first senior class graduated from Oasis High School in June 2011.

In June 2010, City Council approved an additional expansion plan for the Oasis campus to accommodate enrollment demands of up to 3,200 students system wide. The plan included twelve additional classrooms at Oasis Elementary, twelve additional classrooms at Oasis Middle, six additional classrooms and a gymnasium for Oasis High School as well as administrative offices. The expansion was completed in August 2011.

In March 2011, a special obligation revenue bond was issued to cover the initial building cost for Oasis High School as well as the 2011 Oasis campus expansion. The 30 year bond obligation of \$17.69M includes a two year capitalized payment feature: The Charter School Authority began making payments for this bond in January 2013.

As a result of consistent high academic achievement on the Florida Comprehensive Achievement Test (FCAT), as well as the efforts of the Cape Coral Charter School Authority Board, school staff, and current students, the projected enrollment for the four schools for the 2013-2014 school year is estimated to be approximately 3,100 students, a 525% increase from the initial enrollment of the 2005-2006 school year.

In January of 2007, Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available classroom space. In January 2009, this program was supplemented by a pair of portable classroom facilities at the Christa McAuliffe campus for enrollment to 36 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. For the 2012-2013 school year, the VPK program was offered at both Oasis Elementary and Christa McAuliffe Elementary for 20 full time students at each location: There are no planned changes for the 2013-2014 school year for this program.

The Charter School facilities have been built and are owned by the City. They are leased to the Charter School Authority with lease payments based on the construction debt plus one dollar. In addition, charges for facilities maintenance and building insurance are also obligations of the Charter School Authority. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments began in July 2008 for the 2007 Special Obligation Bond and all payments have been made in full in accordance with the terms of the debt. In January 2013, lease payments began for the remainder of the facilities occupied by schools in accordance with the terms of the 2011 Special Obligation Bond.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated service of the Financial Services Department staff of the City of Cape Coral. Their continuing effort toward improving the accounting and financial reporting systems improves the quality of the information reported to the Cape Coral Charter School Authority, City Council, School District of Lee County, State and Federal Agencies, and the citizens of the City of Cape Coral. We sincerely appreciate and commend them for their contributions.

Respectfully submitted,



Angela J. Pruitt
Charter School Superintendent
Charter School Authority



Victoria L. Bateman, CPA, CGFM
Financial Services Director
City of Cape Coral

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Amy Jackson

BOARD MEMBERS

Pascha Donaldson (Vice Chair)

Marilyn Stout

Tammy Anderson

Daryl Teblum

Odette Boyer

Kevin McGrail, Council representative

Jason Pawloski (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Angela J. Pruitt, Charter School Superintendent



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Cape Coral Charter School Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activity of the Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The transmittal letter, budgetary comparison information and statement of activities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and statement of activities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and statement of activities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors
Cape Coral Charter School Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP
Fort Myers, Florida
September 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral's Charter School Authority's (the "Charter School") Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2013. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Charter School's financial activity, and (c) identify changes in the Charter School's financial position.

Since the MD&A is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Cape Coral Charter School Authority's financial statements (beginning on page 11) and letter of transmittal.

Comparative data presentation is provided; however, it must be noted that the school system expanded from a single elementary school in fiscal year 2006 to four schools (two elementary schools, one middle school, and one high school) by August 2009. The first senior class graduated from Oasis High School in June 2011. Additional expansion plans for the Oasis Campus were approved by the Charter School Authority Board and the Cape Coral City Council in June 2010 and the expansion was completed in August 2011 which accommodates system-wide enrollment of approximately 3,200 students. The projected enrollment for the 2013-2014 school year is approximately 3,100 students.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2013, the Cape Coral Charter School Authority's assets exceeded its liabilities by \$2,827,056 (net position). This is a decrease of \$280,580 from the net position of \$3,107,636 at June 30, 2012, or a decrease of 9.0% in comparison to the prior year.
- Total operating revenues for fiscal year 2013 were \$20,738,011 as compared to \$19,114,455 for fiscal year 2012, or a 8.5% increase in comparison to the prior year.
- Total operating expenses for fiscal year 2013 were \$21,022,638 as compared to \$19,033,934 for fiscal year 2012, or a 10.4% increase in comparison to the prior year.

Overview of the Charter School Financial Statements

The Charter School's financial statements are designed in a manner similar to a private-sector business.

Net position is the difference between the Charter School Authority's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving.

The Statement of Revenues, Expenses and Changes in Fund Net Position reports revenues as operating and non-operating; operating expenses resulting in changes in net position for the period; and total ending net position.

The fiduciary fund statement provides information about the financial relationship in which the Authority acts solely as an agent for the benefit of others. The Authority is fiduciary for assets that belong to others, such as the school internal funds. The Authority is responsible for ensuring that the assets reported in these school internal funds are used only for the intended purposes and by those for whom the assets are contributed. The Authority excludes these activities from the Statement of Net Position because it cannot use these funds to finance its operations.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

For the fiscal year ended June 30, 2013 expenditures exceeded revenues by \$280,580, decreasing net position to \$2,827,056. Despite a 3.1% increase in the funding from the Florida Education Finance Program, the decrease in net position had been anticipated in the budget and is primarily a result of three factors:

- Beginning in January 2013, the charter schools began full payment of City's debt service for the 2011 Special Obligation Bond which financed the building of Oasis High School and the Oasis expansion. This debt service is funded to the City through monthly lease payments;
- Teacher and staff salary increases from the prior fiscal year;
- Oasis High and Oasis Middle missed the targeted enrollment level by approximately 40 students as reflected in the budget for fiscal year 2013.

The administrative team, consisting of the superintendent, four school principals and a business manager, continues to focus on sound financial planning to sustain the system far into the future. With projected enrollment and per student funding increases for the 2013-2014 school year, the system is expected to increase net position year over year.

Accrued salaries, wages, and benefits payable of \$668,932 reflects administrative and staff compensation and benefits payable through June 30, 2013. These accruals are recorded as expenses and accrued salaries, wages, and benefits at year end.

As in fiscal year 2012, all teacher and certified staff contracts which extended through July 26, 2013 were fully paid in four additional payroll cycles on June 6, 2013. This eliminated the accrual requirement for these contracts that was required prior to fiscal year 2011.

Summary of Net Position

The following table reflects a Summary of Net Position for fiscal years 2013 and 2012.

Cape Coral Charter School Authority		
Summary of Net Position		
	Total	
	2013	2012
Assets		
Current assets	\$ 3,725,381	\$ 4,125,568
Capital assets, net	413,454	290,494
Total assets	<u>4,138,835</u>	<u>4,416,062</u>
Liabilities		
Current and other liabilities	741,494	687,622
Noncurrent liabilities	570,285	620,804
Total liabilities	<u>1,311,779</u>	<u>1,308,426</u>
Net position		
Invested in capital assets, net of related debt	413,454	290,494
Restricted	-	-
Unrestricted	2,413,602	2,817,142
Total net position	<u>\$ 2,827,056</u>	<u>\$ 3,107,636</u>

Current assets are 90.0% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets (net of accumulated depreciation) of \$413,454 are 14.3% of total net position.

Current and other liabilities of \$741,494 include salaries, wages and benefits payable, as well as accounts payable and accrued liabilities as described below:

- Salaries and wages payable of \$62,054 reflect payments to administration and support staff for the final payroll cycle in June 2013 which was paid to employees on July 3, 2013.
 - Teacher and certified staff were fully paid on June 6, 2013 for the remaining five payroll cycles obligated under their contracts, eliminating the need for an accrual of this expense.
- Benefits payable was \$606,878, which also includes income tax and FICA and Medicare entitlements withholding.
- Accounts payable and accrued liabilities of \$72,562 are scheduled payments to vendors for products and services received prior to the end of the fiscal year which are paid after the end of the fiscal year.

Noncurrent liabilities of \$570,285 are recorded for the obligation of unused leave time as of June 30, 2013: This was a reduction of \$50,519 (8.1%) in the leave liability from the prior fiscal year. This accrual is recorded with \$61,018 as due within one year and \$509,267 as due in more than one year. This allocation is based upon an average of the actual rates of attrition in the past five fiscal years.

Changes in Net Position

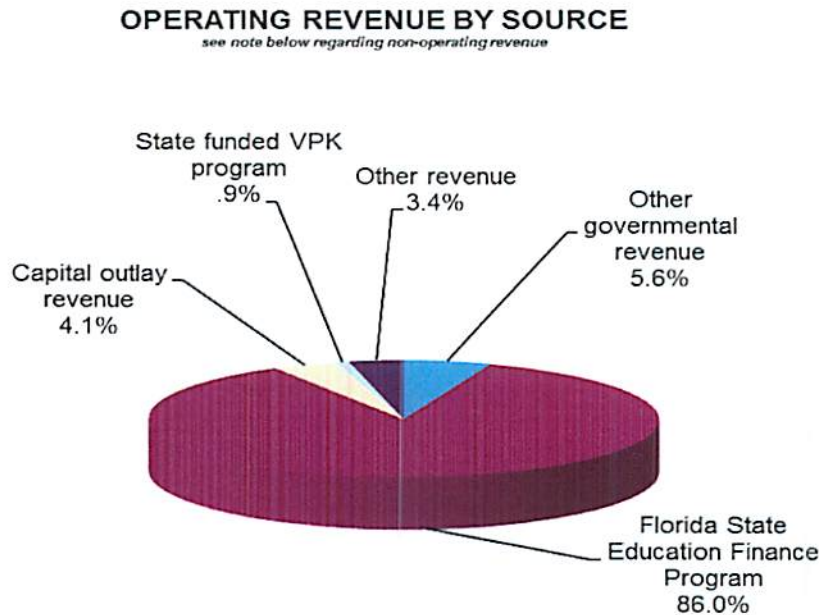
The following table reflects a comparison of the Revenues, Expenses and Changes in Fund Net Position for fiscal years 2013 and 2012.

Cape Coral Charter School Authority
Comparison of Revenues, Expenses and Changes in Fund Net Position

	Total		Year over Year
	2013	2012	Change
Operating revenues			
Florida Education Finance Program revenue	\$ 17,835,168	\$ 16,431,439	\$ 1,403,729
Capital outlay revenue	840,073	1,078,301	(238,228)
State funded VPK program	192,628	179,763	12,865
Other governmental revenue	1,154,847	735,643	419,204
Other revenue	715,295	689,309	25,986
Total operating revenues	<u>20,738,011</u>	<u>19,114,455</u>	<u>1,623,556</u>
Operating expenses			
Salaries, wages and employee benefits	14,120,779	13,187,552	933,227
Contractual services, materials and supplies	6,723,998	5,678,886	1,045,112
Depreciation	177,861	167,496	10,365
Total operating expenses	<u>21,022,638</u>	<u>19,033,934</u>	<u>1,988,704</u>
Operating income (loss)	<u>(284,627)</u>	<u>80,521</u>	<u>(365,148)</u>
Nonoperating revenues (expenses)			
Interest earnings	4,047	756	3,291
Interest expense	-	(2,998)	2,998
Total nonoperating revenues (expense)	<u>4,047</u>	<u>(2,242)</u>	<u>6,289</u>
Change in net position	(280,580)	78,279	(358,859)
Total net position - beginning	3,107,636	3,029,357	78,279
Total net position - ending	<u>\$ 2,827,056</u>	<u>\$ 3,107,636</u>	<u>\$ (280,580)</u>

Revenue

The following is a chart of operating revenues by major source for the Charter School for fiscal year 2013.



The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of \$17,835,168 which represents 86.0% of the total operating revenue of \$20,738,011.

The Cape Coral Charter School Authority is eligible to receive Capital Outlay funding from the State of Florida Department of Education. Capital Outlay funding is based on enrollment and is intended to help offset the cost of the school buildings. The amount received for fiscal year 2013 was \$840,073 which represents 4.1% of the total operating revenue. This revenue stream continued to further erode in fiscal year 2013 due to the proliferation of new charter schools in a fixed funding pool.

The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$192,628 represents .9% of total operating revenue. This program operated at both Oasis Elementary School and Christa McAuliffe Elementary School.

Other governmental funding of \$1,154,847 represents 5.6% of total operating revenue and includes funding for the following:

- Reimbursements through the Florida Department of Education for the National School Lunch Program of \$499,699;
- School recognition funds of \$197,135 for high achievement on the Florida Comprehensive Assessment Tests (FCAT);
- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School of \$277,749. This program funds teacher bonuses and the additional cost to operate the Cambridge curriculum;
- Funding from the US Army to offset approximately 50% of the cost of JROTC instructors salaries of \$90,824;
- Funding for Title II-A eligible instructional staff training, tuition and test reimbursements of \$34,877;
- State funded teacher lead stipends (for classroom supplies) of \$32,232.
- Federal E-Rate grant funding of \$22,331 to help offset a portion of the cost of telecommunications and internet services.

Other revenue sources for the Charter School of \$715,295 represents 3.4% of total operating revenue includes the following:

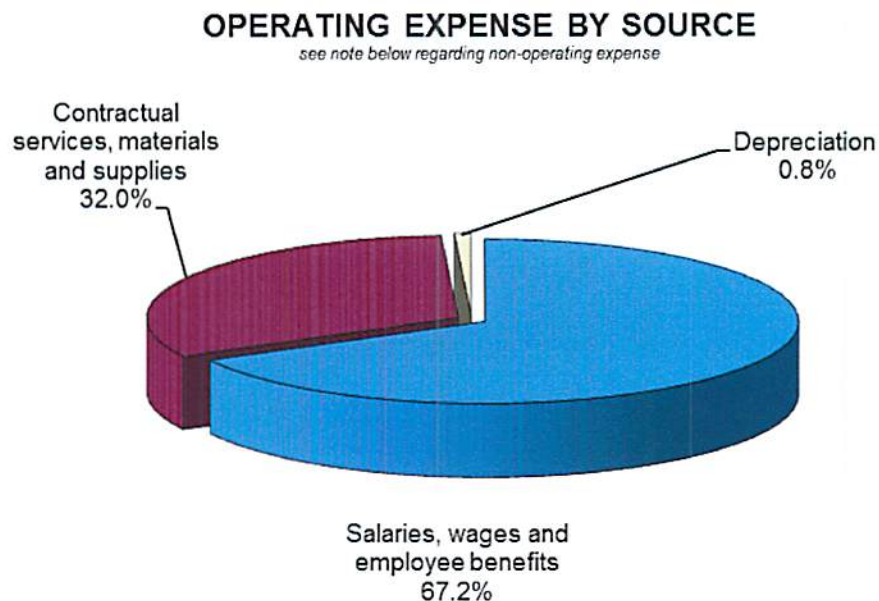
- Student lunch revenues of \$535,417;
- Gifts, grants and bequests of \$52,250 from PTO and local organizations;
- Scholastic book fair revenue of \$26,047;
- Student technology fees for Oasis High School of \$24,518. This program replaced the computer sales program implemented during the 2009-2010 school year;
- Transportation service charges from the City's Parks & Recreation Department of \$15,369 for the use of the school's leased busses during the summer;
- Revenue from the sales of Apple Mac laptop computers to students at Oasis High School of \$8,477 for those students that participated in the 2009-2010 school year program;
- Other miscellaneous revenue of \$53,217.

Non-operating Revenue

Due to very low prevailing interest rates during fiscal year 2013, bank fees charged exceeded the sum of the interest earned on the general account; however, \$4,047 was recorded as investment interest revenue from a money market account at PFM Asset Management, LLC.

Expense

The following is a chart of operating expenses for the Charter School for fiscal year 2013.



Operating expenses increased 10.4% from fiscal year 2012. The most significant expense of the Charter School are salaries, wages and employee benefits of \$14,120,779, representing 67.2% of total operating expenses. This line item increased from the prior fiscal year by \$933,227 due to the addition of eight teachers and support staff to support higher student enrollment, as well as staff and teacher pay increases in fiscal year 2012.

Contractual services, materials and supplies of \$6,723,998 represent 32.0% of total operating expenses. Contractual services increased \$1,045,112 or 18.4% from the prior fiscal year due full payment of building debt service and higher building maintenance costs.

Depreciation expense of \$177,861 represents .8% of total operating expenses. Depreciation expense increased from the prior fiscal year by \$10,365 as a result of additional capital asset acquisitions.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2013, is \$413,454 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms infrastructure at Christa McAuliffe Elementary School), vehicles, computer software and leasehold improvements.

The following table provides capital asset information as of June 30, 2013.

<u>Asset Category</u>	<u>Original Cost of Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets Net of Accumulated Depreciation</u>
Equipment	\$ 995,959	\$ (855,064)	\$ 140,895
Buildings	255,289	(202,222)	53,067
Vehicles	25,153	(14,184)	10,969
Computer Software	25,852	(25,852)	-
Leasehold Improvements	230,431	(21,908)	208,523
Totals	<u>\$ 1,532,684</u>	<u>\$ (1,119,230)</u>	<u>\$ 413,454</u>

Economic Factors and Next Year's Budget

Unlike a taxing authority, the Cape Coral Charter School Authority must consider factors specific to the operation of the schools in establishing next year's budget.

For fiscal year 2013, the Authority realized a 9.0% decrease in net position or \$280,780 from the prior fiscal year. The primary funding source for the Charter School is the FEFP which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, one of the most important considerations must be student enrollment. In addition, state and federal budget legislation can have significant impact on the funding level per student. For fiscal year 2013, the funding level per student was increased by 2.15% from the prior year; however, this was after suffering a decrease of approximately 8% in fiscal year 2012. In addition, system-wide enrollment fell short by approximately 40 students of the projected 3,000 which were anticipated. Fortunately, an additional increase of 3.1% in per student FEFP funding coupled with an increase of 140 students to a system wide enrollment of approximately 3,100 is expected to improve the net position for fiscal year 2014.

Capital outlay revenue from the Florida Department of Education is intended to help offset the debt service on the charter school buildings which is projected at \$3,772,085 for fiscal year 2014. Even with increased enrollment in fiscal year 2013, this funding source decreased by \$238,228 from the previous fiscal year to \$840,073. The decrease was due to an increasing number of charter schools operating within a limited funding pool. For fiscal year 2014, the funding pool has been increased from \$55M to approximately \$90M which should increase the allocation for each charter school in Florida.

The state funded Voluntary Pre-Kindergarten Program realized \$192,628 in revenue against \$178,789 of direct expenses. For fiscal year 2013, each of the VPK program at Christa McAuliffe Elementary and Oasis Elementary enrolled 20 full time equivalent students.

Teacher contracts for basic student education, exceptional education, guidance, and instructional media services are important considerations, along with the administrative cost of the operations of the schools.

Since fiscal year 2009 the expense for maintenance services, custodial services, and pupil transportation services have been significantly reduced by "in-sourcing" these activities with charter school employees. However, consideration is also given to the cost of employee benefits, the future impact of the Affordable Health Care Act and the cost of the outside service contracts which remain for landscape maintenance, and technical and professional services provided through the City of Cape Coral.

In January 2013, the charter schools began paying the deferred debt service to the City of Cape Coral for the 2011 Special Obligation Bond which funded the building of Oasis High School and the Oasis High gymnasium, as well as the expansion of Oasis Elementary and Oasis Middle. For fiscal year 2014 and into the future, all debt service will be paid in equal monthly payments which meet the City's debt requirement.

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2014.

Request for Information

This financial report is designed to present users with a general overview of the Cape Coral Charter School Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Cape Coral Charter School Authority through the Financial Services Department of the City of Cape Coral, 1015 Cultural Park Blvd., Cape Coral, FL 33990.

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS

Cash and cash equivalents	\$	3,712,562
Intergovernmental receivable		12,819
Capital assets (net of accumulated depreciation)		
Equipment		140,895
Buildings		53,067
Vehicles		10,969
Leasehold Improvements		208,523
Total capital assets		<u>413,454</u>
Total assets		<u>4,138,835</u>

LIABILITIES

Current Liabilities		
Salaries, wages, and benefits payable		668,932
Accounts payable and other accrued liabilities		72,562
Noncurrent liabilities:		
Due within one year		61,018
Due in more than one year		509,267
Total liabilities		<u>1,311,779</u>

NET POSITION

Net investment in capital assets		413,454
Unrestricted		<u>2,413,602</u>
Total net position	\$	<u>2,827,056</u>

The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Florida Education Finance Program	\$ 17,835,168
Capital Outlay	840,073
State funded VPK program	192,628
Other governmental revenue	1,154,847
Other revenue	715,295
Total operating revenues	<u>20,738,011</u>

OPERATING EXPENSES

Salaries, wages and employee benefits	14,120,779
Contractual services, materials and supplies	6,723,998
Depreciation	177,861
Total operating expenses	<u>21,022,638</u>
Operating income	(284,627)

NONOPERATING REVENUES (EXPENSES)

Interest earnings	4,047
Total nonoperating revenues (expenses)	<u>4,047</u>

Change in net position	(280,580)
Total net position - beginning	3,107,636
Total net position - ending	<u><u>\$ 2,827,056</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Lee County School District and other sources	\$ 20,754,966
Cash payments to employees for services	(14,107,043)
Cash payments to suppliers	(6,734,381)
Net cash provided by operating activities	<u>(86,458)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(300,821)
Net cash used by capital and related financing activities	<u>(300,821)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Earnings	<u>4,047</u>
-------------------	--------------

Net increase in cash and cash equivalents	(383,232)
Cash and cash equivalents - beginning	4,095,794
Cash and cash equivalents - ending	<u>\$ 3,712,562</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ (284,627)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	177,861
(Increase) decrease in assets:	
Intergovernmental receivable	16,955
Increase (decrease) in liabilities:	
Salaries, wages, and benefits payable	64,255
Accounts payable and other accrued liabilities	(10,383)
Unearned revenue	
Compensated absences	(50,519)
Total adjustments	<u>198,169</u>
Net cash provided by operating activities	<u>\$ (86,458)</u>

The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - SCHOOL INTERNAL FUNDS
JUNE 30, 2013

ASSETS

Cash and cash equivalents

\$ 187,751

LIABILITIES

Accounts Payable

\$ 187,751

The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Cape Coral Charter School Authority ("Authority") was created for the purpose of operating and managing, on behalf of the City of Cape Coral ("City"), all charter schools for which a charter is held by the City. The powers of the Authority are exercised through a governing board, which is known as the Cape Coral Charter School Authority Board which provides governance of the charter schools. Seven (7) members of the governing board are appointed by City Council including one member of the City Council. The charter school administrator serves as an "ex officio member" of the board. The parent members from each school level also serve as "ex officio" members of the board. The Charter School Administrator and parent members are non-voting members. The City Council approves the Charter School Authority's budget and must approve any debt issuances. The Cape Coral Charter School Authority will be presented as a discretely presented component unit within the City of Cape Coral's Comprehensive Annual Financial Report. The Charter School Authority has no component unit of its own.

2. Summary of Significant Accounting Policies

The financial statements of the Cape Coral Charter School Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The Cape Coral Charter School Authority is reported as an enterprise fund, a proprietary fund type and it is used to account for the operating financial resources of the Authority. In addition, there is an agency fund used to account for the resources held for school activities.

Basic Financial Statements

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows as well as a Statement of Fiduciary Assets and Liabilities for the agency fund related to school internal funds. These statements report all assets, liabilities, revenues, and expenses providing a financial picture of the Cape Coral Charter School Authority as a whole.

The Statement of Net Position reports all non-fiduciary financial and capital resources and obligations of the Authority as a whole. The difference between assets and liabilities is reported as net position.

The Statement of Revenues, Expenses and Changes in fund Net Position reports revenues as operating and non-operating, and operating expenses resulting in changes in net position for the period and total ending net position.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the Financial Statements. The Cape Coral Charter School Authority's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund and include Florida Education Finance Program revenue. Non-operating revenues are not related to the operations of the proprietary fund and include interest earnings.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

The Authority believes it is not in violation of any finance-related legal or contractual provisions.

NOTE III. DETAILED NOTES

1. Deposits and Investments

Governmental and Business-type Activities:

A. Cash and Cash Equivalents

At June 30, 2013, the carrying amount of the Cape Coral Charter School Authority cash and cash equivalents, maturities of 90 days or less, was \$3,712,562 (operating) and \$187,751 (agency). The cash portion of \$1,708,516 (operating) and \$187,751 (agency) is held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

As of June 30, 2013 the Cape Coral Charter School Authority had the following cash equivalents that are also included in the investment portfolio disclosures below:

	Liquid
Money Market Funds	\$ 2,004,047
Total	<u>\$ 2,004,047</u>

B. Investment Portfolio

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy. On August 8, 2011, the City of Cape Coral adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect cash and investment assets. This policy is adopted as the Cape Coral Charter School Authority Board's investment policy as stipulated in section 6144 of the Charter School bylaws. The Charter School Authority maintains a common cash and investment pool for the use of all funds. The investment policy applies to all cash and investments held or controlled by the Charter School Authority.

The Charter School Authority's investment policy allows for the following investments:

- Florida PRIME
- United States Government Securities, unconditionally guaranteed by the United States Government
- United States Government Agencies, issued or guaranteed by the United States Government agencies
- Federal Instrumentalities, issued or guaranteed by United States Government sponsored agencies
- Non-Negotiable Interest Bearing Time Certificates of Deposit or Saving Accounts, in banks organized under the laws of the state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida
- Repurchase Agreements
- Commercial Paper, of any United States company that is rated at the time of purchase
- Bankers' Acceptances, issued by a domestic bank or a federally chartered domestic office of a foreign bank
- State and/or Local Government Taxable and/or Tax-Exempt Debt
- Registered Investment Companies (Mutual Funds), that are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R § 270.2a-7
- Intergovernmental Investment Pools, that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes Intergovernmental Investment Pools. A maximum of 25% of available funds may be invested in the intergovernmental investment pools.
- Corporate Notes, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States
- Corporate Obligations, issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC a guaranteed by the United States Government
- Mortgage-Backed Securities (MBS) that are based on mortgages that are guaranteed by a government agency or GSE for payment
- Asset-Backed Securities (ABS) that are backed by financial assets
- Bond Funds

As of June 30, 2013, the Charter School Authority had the following investment types and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Money Market Funds	\$ 2,004,047	0.130
Total Fair Value	\$ 2,004,047	
Portfolio Weighted Average Duration		0.130

C. Interest Rate Risk

The Charter School Authority's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

The Authority utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2013 the investment portfolio had an effective duration of .130 years.

D. Credit Risk

The Authority's investments on June 30, 2013 are limited to credit quality ratings from nationally recognized rating agencies as follows:

Registered Investment companies (Mutual Funds)

- Rated AAAM by Standard & Poor's or the equivalent by another rating agency.
- Are in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7.
- In addition, the Financial Services Director may invest in other types of mutual funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities specifically permitted under this investment policy, and are similarly diversified.

Intergovernmental Investment Pools

- Rated AAAM by Standard & Poor's or the equivalent by another rating agency.
- Are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

As of June 30, 2013, the Authority had the following credit exposure as a percentage of total investments:

<u>Security Type</u>	<u>S&P Credit Rating</u>	<u>% of Portfolio</u>
Money Market Funds	AAAM	100.000%

E. Custodial Credit Risk

The Authority's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Authority should be properly designated as an asset of the Authority. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2013, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

F. Concentration of Credit Risk

The Authority's investment policy has established asset allocation and issuer limits on certain investments, which is designed to reduce concentration of credit risk of the Authority's investment portfolio. Since the Authority is 100% invested in a money market fund, there are no restrictions for the concentrations permitted for these types of investments.

As of June 30, 2013, the Authority had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
PFM Funds Prime Series	\$ 2,004,047	100.000%

2. Receivables

Receivables for the year ending June 30, 2013 are as follows:

The City's Parks & Recreation Department has arranged usage of the school's busses to assist in the operation of their summer programs. An intergovernmental receivable in the amount of \$8,200 has been recorded for the reimbursement of these charges for the month of June 2013.

An intergovernmental receivable has been recorded for the final year end adjustment of the State funded VPK program operating at Christa McAuliffe Elementary School in the amount of \$432. Actual funding was delayed for a year-end reconciliation which was completed in early July 2013.

The cost of the JROTC program instructors at Oasis High School is 50% funded by the United States Army. An intergovernmental receivable for the June JROTC 2013 committed funding of \$4,187 has been recorded for this reimbursement.

Intergovernmental Receivables

Summer bus usage by City's Parks & Recreation	\$ 8,200
JROTC funding from US Army	4,187
State funded VPK Program	432
Total Receivables	<u>\$ 12,819</u>

All intergovernmental receivables are considered fully collectible by management of the Authority. As such, no reserve against uncollectible accounts has been recorded in the financial statements at June 30, 2013.

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and a useful life in excess of one year. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized, but are expensed as incurred.

Capital assets are depreciated using the straight-line method of depreciation over the useful lives of the related assets. The depreciable life of each asset is determined by City of Cape Coral Administrative Regulation 51 and complies with generally accepted accounting principles.

Capital asset activity for the year ended June 30, 2013 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 889,686	\$ 106,273	\$ -	\$ 995,959
Buildings	167,255	88,034	-	255,289
Vehicles	27,153	-	(2,000)	25,153
Computer Software	25,852	-	-	25,852
Leasehold Improvements	123,250	107,181	-	230,431
Capital assets, being depreciated	<u>1,233,196</u>	<u>301,488</u>	<u>(2,000)</u>	<u>1,532,684</u>
Less Accumulated Depreciation for:				
Equipment	(753,784)	(101,280)	-	(855,064)
Buildings	(147,289)	(54,933)	-	(202,222)
Vehicles	(9,876)	(5,641)	1,333	(14,184)
Computer Software	(25,852)	-	-	(25,852)
Leasehold Improvements	(5,901)	(16,007)	-	(21,908)
Total accumulated depreciation	<u>(942,702)</u>	<u>(177,861)</u>	<u>1,333</u>	<u>(1,119,230)</u>
Total capital assets, net	<u>\$ 290,494</u>	<u>\$ 123,627</u>	<u>\$ (667)</u>	<u>\$ 413,454</u>

4. Salaries, Wages and Benefits Payable

Salaries and wages payable for administration and staff after the last payroll cycle are accrued from June 15, 2013 through June 30, 2013 in the amount of \$62,054. Benefits payable for employee medical, life and disability insurance, vision, dental, payroll taxes and retirement are accrued in the amount of \$606,878. Salaries and wages for teachers and certified staff contracts were fully paid out in June 2013.

5. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2013 are as follows:

<u>Expense Type</u>	<u>Open Payables</u>	<u>Accrued Liabilities</u>	<u>Total Payables & Accrued Liabilities</u>
Electric service	\$ 34,610		\$ 34,610
Services provided by City personnel		19,903	19,903
Maintenance and custodial	8,037		8,037
Contract Services	2,223		2,223
Office Supplies	1,745		1,745
Information technologies	1,584		1,584
Water utilities	1,582		1,582
Diesel Fuel	1,555		1,555
Propane	422		422
Other miscellaneous	120	781	901
Total Accounts Payable & Accrued Liabilities	<u>\$ 51,878</u>	<u>\$ 20,684</u>	<u>\$ 72,562</u>

6. Compensated Absences

The Authority permits employees to accumulate earned but unused leave, which will be paid to the employee upon separation from the Authority if they meet certain criteria. These benefits plus the related taxes are classified as compensated absences. A portion of the noncurrent liabilities recorded on the Statement of Net Position (\$570,285) is for compensated absences at June 30, 2013.

The following table summarizes the compensated absences activity for fiscal year 2013.

	<u>Compensated Absences</u>
Beginning balance	\$ 620,804
Additions	64,937
Reductions	(115,456)
Ending balance	<u>\$ 570,285</u>
Due within one year	\$ 61,018
Due within more than one year	509,267
Total Compensated Absences	<u>\$ 570,285</u>

7. State Revenue Sources

Revenue from State sources for current operations is primarily from the Florida Education Finance Program, administered by the Florida Department of Education under the provisions of Section 1011.62, Florida Statutes. In accordance with the law, the Cape Coral Charter School Authority determines and reports to the Lee County School District the number of full-time equivalent students (FTE). The Department performs certain edit checks on the reported number of FTE students and remits funding based on the Department's current year adopted allocations.

8. Operating Leases

A new master lease agreement for all charter school facilities was negotiated in October 2011 which replaced all previous agreements. This master lease requires payments by the Authority equal to the debt service on the long term debt from the 2007 and 2011 Special Obligation bonds, plus the cost of commercial general liability insurance, and one dollar. The amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. For fiscal year 2013, lease payments totaled \$2,650,577. In fiscal year 2009, capital outlay revenue became available based on current Florida State Statute 1013.62 to offset a portion of the building lease obligations. In fiscal year 2013, capital outlay revenue received was \$840,073.

The Charter School Authority has entered into various lease agreements for portable classrooms, copiers, school bus services, and school bus dispatch equipment. These leases are accounted for as operating leases and are generally for a term from one to five years and include renewal options. The following identifies the purpose and term of these operating leases:

- The copiers were replaced in July 2009 under new five year contracts with the current year operating lease payments of \$32,055.
- Four portable classrooms at Christa McAuliffe were covered under two separate lease agreements each at \$900 per month for two portable classrooms. These leases were terminated early in December 2012 and the portable classrooms were purchased at a price of \$48,000.
- Radio dispatch services for pupil transportation were contracted at \$624 per month.

The following schedule reflects the operating lease obligations for the Charter School Authority for the terms of the leases.

<u>For the year ending June 30,</u>	<u>Total</u>
2014	3,984,593
2015	3,642,153
2016	3,639,882
2017	3,638,270
2018	3,639,110
2019-2023	17,554,146
2024-2028 *	17,260,406
Total	<u>\$ 53,358,561</u>

**Note: Reflects the 2011 Special Obligation bond for Oasis High and expansion project from 2022 through 2027.*

9. Other Governmental Revenue

Other governmental revenue consists of the following:

Other Governmental Revenue

National School Lunch Program reimbursement	\$	499,699
AICE funding		277,749
School recognition funds		197,135
JROTC funding		90,824
Title II-A funding		34,877
Teacher lead stipends (classroom supplies)		32,232
Federal E-Rate funding		22,331
Total other governmental revenue	<u>\$</u>	<u>1,154,847</u>

10. Other Revenue

Other revenue consists of the following:

Other Revenue	
Student lunches	\$ 535,417
Gifts, grants, bequests from local organizations	52,250
Scholastic book fairs	26,047
Technology fees	24,518
Transportation service charges	15,369
Computer sales	8,477
Other revenue	53,217
Total other revenue	<u>\$ 715,295</u>

11. Risk Management

The Charter School Authority is exposed to various risks of loss related to torts, theft of, damage to and the destruction of assets; errors and omissions; injury to employees; and natural disasters. Commercial property insurance coverage for the buildings leased by the Authority is provided by the City and reimbursed by the Authority as part of the annual lease payment. The Charter School Authority has purchased insurance coverage through Preferred Governmental Insurance Trust for property (contents) and casualty with combined limits of \$1,000,000 per person/\$2,000,000 per accident, statutory workers compensation coverage, and other commercial insurance for the other exposures identified. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers. Claims made have not exceeded the insurance coverage for any of the past three fiscal years.

12. State Retirement Programs

All regular employees of the Charter School Authority are covered by one of two retirement plans maintained by the Florida Retirement System - A State administered, cost-sharing multiple employer – defined benefit retirement plan (FRS Pension Plan), or an individual employee administered defined contribution plan (FRS Investment Plan).

All retirement plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 1000, Florida Administrative Code, wherein benefits are defined and described in detail.

Essentially, all regular employees of participating employers are eligible to enroll in either of the two retirement plans. Employees who do not choose a retirement plan are automatically enrolled in the FRS Pension Plan. Pension Plan members are eligible for a vested benefit after six years of service if enrolled in the FRS prior to July 1, 2011, or eight years of service if enrolled in the FRS on or after July 1, 2011. Members are eligible for normal retirement benefits at age 62 with the required minimum years of vested service, or at any age after 30 years of service and which may include up to four years of credit for military service. For normal retirement, benefit payments are based on the member's best five-year average annual salary (average final compensation) times the number of years of service, and multiplied by a percentage ranging from 1.60 percent at either 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Members may individually elect to receive decreased monthly benefits during their lifetime in order to provide survivor benefits to a spouse or dependent. Members are eligible for early retirement after six years of creditable service, but before age 62; however, normal benefits are reduced by 5 percent for each year a member retires before age 62.

Members of the FRS Investment Plan's retirement pension benefit vest after one year of service. The FRS Investment Plan is funded by employer contributions that are based on the employee's salary and FRS membership class. The FRS Investment Plan directs contributions to individual member accounts where the employees allocate their contributions among various investment funds. The FRS Investment Plan retirement benefit is the value of the employee's account at termination.

The Florida Retirement System provides benefits in addition to the retirement pensions described above. Benefits include post-retirement payments for health care insurance, cost of living supplements and, for certain retirees, a supplement to cover social security benefits lost by virtue of retirement system membership.

Benefits described previously are in summary form. Accordingly, not all conditions, limitations, and restrictions are mentioned.

Effective July 1, 1998, a Deferred Retirement Option Program (DROP) was established subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the FRS Pension Plan to defer receipt of monthly benefit payments while continuing employment with a Florida Retirement System employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate in DROP for up to 96 months upon authorization from the District's Superintendent. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The retirement plans' financial statements and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on the retirement plans, which includes the financial statements, required supplementary information, the actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

Effective July 1, 2011, the State of Florida legislature changed several provisions of the Florida Retirement System. These changes require FRS participants to self-fund 3.00% of their pension and the funding factors for the DROP program were reduced.

Funding Policy

The contribution rates for retirement plan members are established, and may be amended, by the State of Florida. During fiscal year 2013, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 5.18% of gross salary.

Note: Employer rates include the post-employment health insurance supplement of 1.11% and the plan education expenses of .03%. The Charter School's fiscal year 2013 payrolls subject to FRS employer contributions for all employees totaled \$10,237,880. Required contributions made to the Florida Retirement System for fiscal years June 30, 2011, June 30, 2012 and June 30, 2013 totaled; \$944,265, \$463,950 and \$528,763, respectively.

The Authority is not required by statute to provide any post-employment benefits [other than pensions through the Florida Retirement System] and does not intend to change this position in the future.

13. Contingencies

The Authority is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which may result in disallowed expense amounts. These amounts, if any, constitute a contingent liability of the Authority. Accordingly, such liabilities are not reflected within the financial statements. The Authority does not believe any contingent liabilities are material.

OTHER SUPPLEMENTARY INFORMATION

NOTES TO THE SUPPLEMENTARY INFORMATION - BUDGET COMPARISONS

June 30, 2013

Budgetary Basis

The Cape Coral Charter School Authority approves an annual budget for the Charter School General Fund. The Authority's Business Manager develops the budget with information received from the school's administrative team. The primary fiscal goal of the Authority's administration is to create an environment in which the system will be self-sufficient well into the future. This goal will be achieved by continued review and refinement of operating policies and procedures. The budget was approved by the Authority Board on August 14, 2012 and adopted by City Council on September 20, 2012. For fiscal year 2014, the budget was approved by the Authority Board on August 13, 2013 and will be adopted by the City Council in September 2013.

Budgetary Information

The following procedures are used in establishing the adopted budgetary data reflected in the financial statements.

1. Throughout the school year, the Charter School Business Manager keeps abreast of state and federal funding issues which impact per student funding levels. This includes state budgetary changes which impact funding levels of the Florida Education Finance Program (FEFP); changes in capital outlay funding; reimbursement rates for the state funded VPK programs; changes to the Florida Retirement System (FRS); and any other special legislation at the state or federal level.
2. Beginning in May and June, the Business Manager works closely with the Principals and the Administrator to project enrollment for the upcoming school year at each school and grade level. This projection reflects consideration of available classroom space, progression of students to the next grade level, and current waitlist status at each school.
3. The Business Manager analyzes current revenue and expenditure trends when developing the budget. To project a conservative estimate of revenue, the primary revenue sources are generally budgeted at 97 percent of expectation. Expenditures are based on the prior year trends with necessary modifications resulting from staffing and program changes that were implemented by the Authority Board. Salary and benefit expense is budgeted at the employee level based on the current and proposed salary step rate.
4. In early August, the proposed budget is presented to the Charter School Authority Board for review and approval.
5. Once approved, the budget is presented and adopted by Cape Coral City Council and included in the City's budget.
6. During the school year, the budget may be amended to reflect changes in expected revenue or expense to more accurately reflect the financial position of the Authority. Budget amendments are approved by the Charter School Authority Board and included in the City's budget amendments to City Council.

The budgetary comparison schedule is presented on the following page.

Cape Coral Charter School Authority

BUDGETARY COMPARISON SCHEDULE For the Fiscal Year Ending June 30, 2013

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Charter Schools Fed Grant	\$ -	\$ 22,331	\$ 22,331	\$ -
NSLP Lunch Reimbursement	362,833	420,833	444,250	23,417
NSLP Breakfast Reimbursement	12,500	48,500	55,448	6,948
Florida Education Finance Program	17,459,031	17,900,000	17,835,168	(64,832)
FI Teacher Lead Prog	27,710	32,232	32,232	-
School recognition funds	-	-	197,135	197,135
VPK Program State Shared	164,664	182,960	192,628	9,668
Charter School Capital Outlay Revenue	1,091,781	960,636	840,073	(120,563)
Title II-A funding	37,000	37,000	34,877	(2,123)
AICE Revenue State Shared	150,000	277,749	277,749	-
Student lunch service	573,069	543,069	535,417	(7,652)
Transportation service charges	20,000	10,000	15,369	5,369
Student technology fees	33,750	18,750	24,518	5,768
Short term investment interest	4,000	4,000	4,047	47
Disposition of fixed assets	-	-	33	33
Contributions and donations private	-	45,000	52,250	7,250
Book sales misc revenue	-	13,694	26,047	12,353
Lost / damaged / sold textbooks	-	500	664	164
Reimbursable charges	10,000	10,000	8,477	(1,523)
JROTC reimbursable charges	81,735	81,735	90,825	9,090
Other miscellaneous revenue	-	25,669	52,520	26,851
Total Operating Revenue	\$ 20,028,073	\$ 20,634,658	\$ 20,742,058	\$ 107,400
Cash carry forward	3,407,004	3,407,004		(3,407,004)
Total Revenue	\$ 23,435,077	\$ 24,041,662	\$ 20,742,058	\$ (3,299,604)
EXPENDITURES				
Instruction Basic (FEFP K-12)	\$ 10,268,246	\$ 10,508,049	\$ 10,694,189	\$ (186,140)
Exceptional Education Services	467,659	467,659	419,285	48,374
Pupil Personnel Services	218,863	218,863	280,177	(61,314)
Health Services	105,184	105,184	117,942	(12,758)
Other Pupil Personnel Services	159,114	159,114	152,375	6,739
Instructional Media Services	215,139	208,139	203,051	5,088
Instructional Staff Training Services	70,000	31,500	30,799	701
Board	-	40,658	50,294	(9,636)
General Administration	424,413	409,353	399,207	10,146
School Administration	1,412,090	1,361,490	1,417,703	(56,213)
Facilities Acquisition & Construction	51,500	170,500	23,201	147,299
Fiscal Services	352,000	562,076	359,235	202,841
Food Services	958,117	986,117	949,522	36,595
Data Processing Services	462,188	310,089	340,992	(30,903)
Pupil Transportation Services	911,768	1,284,669	1,109,390	175,279
Operation of Plant	3,861,344	3,990,011	4,261,650	(271,639)
Maintenance of Plant	191,715	212,290	213,626	(1,336)
Debt Service	-	-	-	-
Total Operating Expense	\$ 20,129,340	\$ 21,025,761	\$ 21,022,638	\$ 3,123
Budget Reserves	3,274,787	3,015,901		3,015,901
Total Expenditures	\$ 23,404,127	\$ 24,041,662	\$ 21,022,638	\$ 3,019,024
Net change in fund balance			(280,580)	
Fund balance - Beginning			3,107,636	
Fund balance - Ending			\$ 2,827,056	

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Unit Activities
Instruction Basic (FEFP K-12)	\$ 10,559,370	\$ 84,417	\$ 597,940	\$ 52,250	\$ (9,824,763)
Exceptional Education Services	419,285	-	-	-	(419,285)
Pupil Personnel Services	280,177	-	-	-	(280,177)
Health Services	117,942	-	-	-	(117,942)
Other Pupil Personnel Services	152,375	-	-	-	(152,375)
Instructional Media Services	203,051	26,711	-	-	(176,340)
Instructional Staff Training Services	30,799	-	34,877	-	4,078
Board	50,294	-	-	-	(50,294)
General Administration	399,207	-	-	-	(399,207)
School Administration	1,417,653	-	-	-	(1,417,653)
Facilities Acquisition & Construction	23,201	-	-	-	(23,201)
Fiscal Services	315,315	-	-	-	(315,315)
Food Services	949,522	535,417	499,699	-	85,593
Data Processing Services	340,992	-	-	-	(340,992)
Pupil Transportation Services	1,109,390	15,369	-	-	(1,094,021)
Operation of Plant	4,261,650	-	22,331	840,106	(3,399,212)
Maintenance of Plant	213,626	-	-	-	(213,626)
Voluntary Pre-Kindergarten Program	178,789	-	193,727	-	14,938
Totals	<u>\$ 21,022,638</u>	<u>\$ 661,913</u>	<u>\$ 1,348,574</u>	<u>\$ 892,356</u>	<u>\$ (18,119,795)</u>
General Revenues:					
Florida Education Finance Program (State through Lee County School District)				\$ 17,835,168	
Interest earnings				4,047	
Total general revenues				<u>17,839,215</u>	
Change in net position				<u>(280,580)</u>	
Net position - beginning				3,107,636	
Net position - ending				<u>\$ 2,827,056</u>	

OTHER REPORTS



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund and the aggregate remaining fund information of Cape Coral Charter School Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

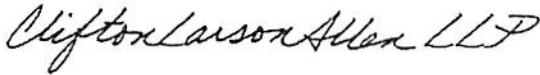
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Forth Myers, Florida
September 4, 2013



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Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

We have audited the financial statements of the Cape Coral Charter School Authority (the "Authority") as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 4, 2013.

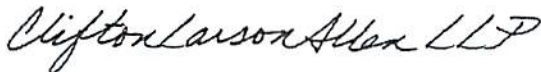
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 4, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports.

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or corrective actions noted in preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the charter school or center has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted that the Authority was entirely invested in money market funds, which exceeded the concentration limits allowed under the Authority's investment policy. We recommend that the Authority either reduce its concentration in money market fund investments within its portfolio in order to comply with its policy as currently stated or amend the policy to allow for 100% concentration in money market funds.

- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Cape Coral Charter School Authority.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General (for charter schools and centers only), we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
September 4, 2013